

THE REPORT ON THE
MONTANA
TOURISM INDUSTRY



JANUARY 2005
MONTANA PROMOTION DIVISION
DEPARTMENT OF COMMERCE



THE SUCCESS

DIRECTOR'S TOURISM MESSAGE 2005

"WHILE TOURISM CONTINUES TO GROW, AND IS BECOMING AN INCREASINGLY IMPORTANT COMPONENT OF MONTANA'S ECONOMY, WE ALSO NEED TO LOOK TO THE FUTURE AND WORK TO ENSURE THAT WE HAVE THE INFRASTRUCTURE IN PLACE NECESSARY TO HANDLE OUR GROWING NUMBER OF TRAVELERS."

This past year has been a busy and productive year for many involved in the tourism industry in Montana. Everyone hoped for a reprieve from the fires that plagued the state during 2003. Our prayers were answered, and we had a glorious season for tourism. Scattered spring rains continued in parts of the state throughout the summer leading Montana into a beautiful Indian Summer that lasted several weeks. Travelers were greeted with a wonderful green landscape across all of Montana this summer and absolutely beautiful colors this fall. These are some of the very visual experiences that travelers look for when they visit Montana.

While the folks in the industry have been busy hosting our more than nine million nonresident visitors, the staff of the Department of Commerce have continued their work implementing the Montana Strategic Plan for Tourism and Recreation. We are now two years into this five-year plan and are making definite progress.

Last winter, the department, working with our marketing firm, partnered with the Montana Ski Area Association, MacKenzie River Pizza and Big Sky Airlines in the new Ski Pass for Life in-state winter promotion. The promotion was a rousing success, and a young mother will now raise her kids skiing at the Showdown Ski Area.

This summer we were able to coordinate a train ride through Montana on Amtrak with Lieutenant Governor Karl Ohs and Amtrak President David

Gunn. Making stops in Havre, Shelby and Whitefish, Lieutenant Governor Ohs and Mr. Gunn promoted the advantages of Amtrak and how it benefits Montana's economy.

For the past several months, we have been working with the Montana Department of Transportation developing a study that will look at the opportunities and challenges to air service in Montana. The study was proposed by the Department of Commerce and will be funded through federal highway funds provided by the Department of Transportation.

While tourism continues to grow, and is becoming an increasingly important component of Montana's economy, we also need to look to the future and work to ensure that we have the infrastructure in place necessary to handle our growing number of travelers. We are committed to this at the Department of Commerce, and we offer our heartfelt appreciation to the many people and organizations engaged in tourism throughout Montana that are working to improve our economy.

Sincerely,



Mark Simonich

Director, Montana Department of Commerce

THE STATUS

MESSAGE FROM THE ADMINISTRATOR

It's my pleasure to present to you the Report on the Montana Tourism Industry January 2005. This annual report provides a summary of the activities and accomplishments of the Travel Montana Program and the Montana Film Office, as well as some of the marketing goals planned for the coming year.

Tourism is Montana's fastest growing industry, injecting \$1.8 billion dollars into our local economy while supporting 37,000 jobs or 7% of the total workforce. Tourism contributes \$135 million dollars to state and local taxes, which is 8% of Montana's total tax collected. Last year we hosted more than 9 million visitors—10 visitors for each Montana resident, that's millions more customers for our main street businesses! These numbers alone show tourism is an important industry to Montana's economy.

The success of Montana's tourism and recreation industry has not happened by accident; instead, it's based on a solid foundation of planning, funding and strategic partnerships. This document will give you a sense of the integrated efforts on behalf of tourism and film promotion.

Last year, I reported on the strategic partnerships that emerged to overcome the challenges we faced as a result of natural disasters. Today, these partnerships continue to flourish. To leverage our marketing dollars, we entered into partnerships for the first time with private businesses on our winter "Ski Pass for Life" campaign. This campaign exceeded our expectations in both increased inquiries and increased sales for our business

partners. This truly was a win/win situation!

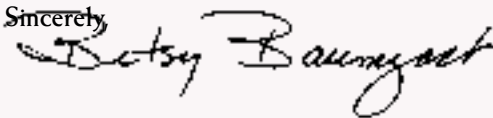
To increase opportunities for tourism benefits throughout the state, new products are being developed through expanded cooperation with public and private entities. Most recently developed are the "Hands of Harvest Trail" which highlights Montana heritage and craftsmanship within Central Montana and the new Dinosaur Trail, which stretches from our eastern borders to southwest Montana.

We will continue to seek out and foster partnerships that strengthen our program and bring increased customers to our business partners. This will take cooperation from all stakeholders.

I never fail to be impressed by the hard work and dedication of the people in the tourism industry. I applaud you for your commitment to this very important factor of Montana's economy and quality of life. We at Travel Montana and the Montana Film Office strive to mirror your commitment.

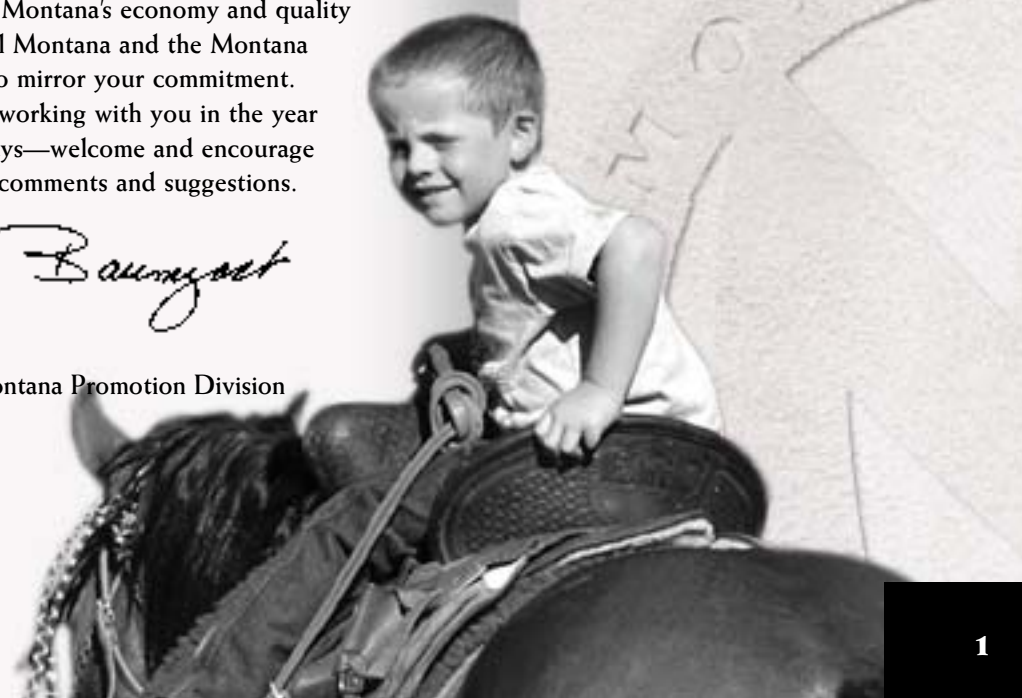
I look forward to working with you in the year ahead and—as always—welcome and encourage your participation, comments and suggestions.

Sincerely,



Betsy Baumgart
Administrator, Montana Promotion Division

"THE SUCCESS OF MONTANA'S
TOURISM AND RECREATION
INDUSTRY HAS NOT HAPPENED BY
ACCIDENT; INSTEAD, IT'S BASED
ON A SOLID FOUNDATION OF
PLANNING, FUNDING AND
STRATEGIC PARTNERSHIPS."



MONTANA'S SUCCESSFUL TOURISM INDUSTRY RELIES ON THE LODGING FACILITY USE TAX. THIS 4% TAX ON OVERNIGHT LODGING SUPPORTS MONTANA'S PROMOTION AND DEVELOPMENT EFFORTS, AND ALSO CONTRIBUTES FUNDS TO STATE PARKS, HISTORIC SITES AND OTHER IMPORTANT PROGRAMS. IN THE YEAR 2005, THE BED TAX WILL BRING IN ABOUT \$12.9 MILLION, YET IT WILL HELP GENERATE MORE THAN \$1.87 BILLION IN NONRESIDENT SPENDING.

THE INVESTMENT

MONTANA'S TOURISM FUNDING

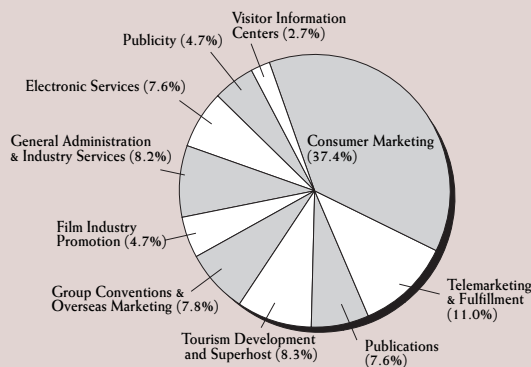
In 1987, Montana's legislature recognized the importance of tourism to Montana's future economy. During that session, the legislature created a 4% Lodging Facility Use Tax, commonly referred to today as the "bed tax." Lodging facilities (such as hotels, motels, bed & breakfast inns, guest ranches, resorts and campgrounds) collect this tax from guests. In turn, these funds are directed to the

Montana Historical Society, the university system, Montana Fish, Wildlife & Parks, Montana's tourism regions and Convention and Visitors Bureaus (CVBs) and the Department of Commerce for travel and film promotion. Importantly, no additional money for tourism funding comes from Montana's general fund. Sixteen years after the legislature created the bed tax, its success is evident. Today, tourism is one of Montana's largest and fastest-growing industries in the state.

In 1988, the year the bed tax was first collected, \$5 million was generated. In 2005, that figure will be over \$12.9 million, representing an increase of more than 100%.

Bed tax collections are Montana's source of funding for all of its tourism marketing efforts; however, the bed tax supports much more than marketing alone. In fact, about 20% of the bed tax currently supports tourism-related infrastructure around the state. This includes items such as historic preservation funds for Virginia City/Nevada City, maintenance of state parks, funding for the Lewis and Clark bicentennial program and historic signage.

HOW TRAVEL AND FILM PROMOTION FUNDS ARE SPENT



ACCOMMODATIONS TAX REVENUE FY 2005

Projected Lodging Tax Revenue	\$12,970,036
Heritage Preservation Commission (Virginia City)	(\$400,000)
Department of Revenue (Collection costs & reimbursement to general fund of tax paid by state employees)	(\$298,311)
Available for Distribution	\$12,271,725

USE OF FUNDS

(Determined by Montana Legislature)

State Parks - 6.5% (Operations & Maintenance)	\$797,662
University System - 2.5% (Tourism & Recreation Research)	\$306,793
Historical Society - 1% (Historical Sites & Signage)	\$122,717
Regions/CVBs Marketing - 22.5%	\$2,761,138
Department of Commerce Programs - 67.5% (Travel Montana/Film Office)	\$8,283,414

TRAVEL MONTANA/FILM OFFICE PROJECTED FY 2005 BUDGET

Funds from Accommodations Tax	\$8,283,414
Income from ad sales, co-ops, etc.	\$372,405
L&C Bicentennial Commission	(\$200,000)
Historical Society (L&C Bicentennial)	(\$100,000)
Historical Society (Scriver Collection)	(\$127,390)
Historical Society (Historical Interpretation)	(\$193,627)
Montana Trade Program	(\$140,000)
Total Funds Available	\$7,894,802

THE NETWORK

TOURISM ORGANIZATIONS

The Tourism Advisory Council (TAC), composed of no less than 12 Montanans from the travel industry's private sector, has a number of important duties. First, the Council advises the governor on matters related to travel and tourism in Montana. Second, it makes recommendations to the Montana Promotion Division. Third, it oversees distribution of funds and sets regulations for all of Montana's nonprofit tourism regions and Convention and Visitors Bureaus (CVBs). Fourth, it determines allowable administrative expenses from bed tax funds for the tourism regions and CVBs. And finally, the TAC oversees the university system's travel research, approving all projects before they begin.

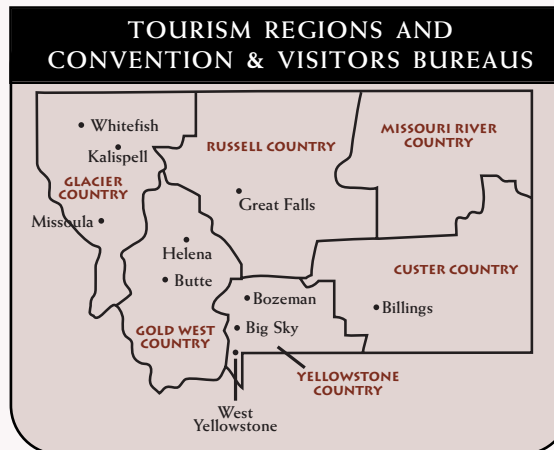
Montana's six tourism regions are private, nonprofit organizations dedicated to marketing themselves to visitors. Each year, they submit marketing plans to the TAC for approval. Find out more about any of the tourism regions on the web:

Custer Country • custer.visitmt.com
 Glacier Country • glacier.visitmt.com
 Gold West Country • goldwest.visitmt.com
 Missouri River Country • missouririver.visitmt.com
 Russell Country • russell.visitmt.com
 Yellowstone Country • yellowstone.visitmt.com

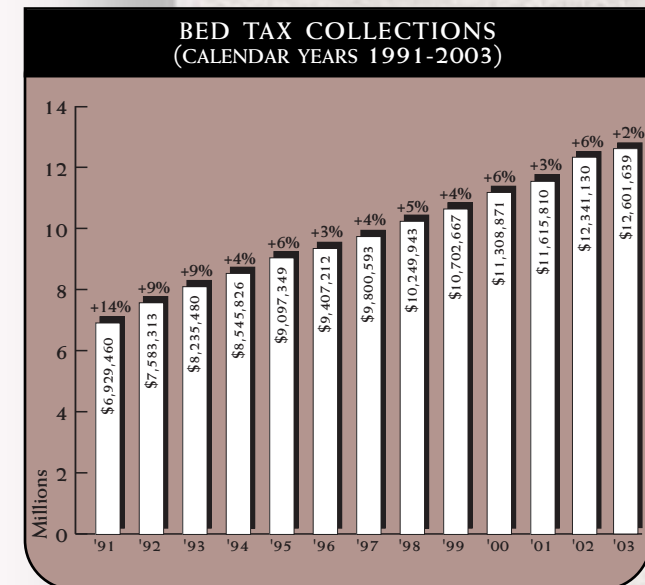
Like Montana's tourism regions, the ten CVBs market themselves to visitors and must also submit annual marketing plans.

Big Sky • bigskychamber.com
 Billings • billingscvb.visitmt.com
 Bozeman • bozemancvb.visitmt.com
 Butte • butteinfo.org
 Flathead Valley • fcvb.org
 Great Falls • greatfallscvb.visitmt.com
 Helena • helenacvb.visitmt.com
 Missoula • missoulacvb.org
 West Yellowstone • westyellowstonecvb.visitmt.com
 Whitefish • whitefishchamber.org

To find out more about Montana's tourism organizations, including contact information, go to our intranet site at travelmontana.state.mt.us.



THE STATE'S TOURISM INDUSTRY IS FUELED BY MUCH MORE THAN TRAVEL MONTANA'S PROGRAMS. ALL ACROSS THE STATE, PARTNERS CONTINUALLY WORK TOGETHER FOR SUCCESS, INCLUDING THE TOURISM ADVISORY COUNCIL, SIX TOURISM REGIONS AND TEN FUNDED CONVENTION & VISITORS BUREAUS (CVBs)—AS WELL AS LITERALLY HUNDREDS OF TOURISM PROFESSIONALS IN THE PUBLIC AND PRIVATE SECTORS.



SO HAS MONTANA'S INVESTMENT
IN TOURISM PROMOTION MADE
A DIFFERENCE? IF NUMBERS ARE
ANY INDICATION, THE TOURISM
INDUSTRY HAS A HUGE SUCCESS
STORY TO TELL. SINCE 1993,
MONTANA'S NONRESIDENT
VISITATION HAS INCREASED A
HEALTHY 15.5%; LAST YEAR THE
TOURISM INDUSTRY ATTRACTED
\$1.87 BILLION FROM OUTSIDE
OUR STATE.

THE MEASUREMENT

RESEARCH RESULTS

To track the growth of Montana's tourism industry and to help the state make informed marketing decisions, research is an invaluable tool. And each year, research continues to illustrate the value of tourism to the state's economy.

An economic review of the state travel industry, conducted by the Institute for Tourism and Recreation Research (ITRR) at the University of Montana, illustrated the impact of tourism on the state's economy in a number of statistical categories. In the year 2003, the study found the \$1.87 billion spent by nonresident visitors supported nearly 37,000 jobs and resulted in \$739 million in total personal income.

And let's be clear: tourism's economic impact stretches far beyond "tourism" businesses. In fact, nonresident travelers spend more on retail sales, gasoline and oil, and bars and restaurants than they do on lodging. Montana's tourists go a long way toward keeping malls, grocery stores, service stations, restaurants, lounges and entertainment facilities profitable. So tourism not only brings in new money from outside the state, it also circulates that money throughout Montana's economy.

It's also interesting to note why people come to Montana. Of the 9.67 million out-of-state travelers who visited in 2003, 8% were here primarily for business reasons, 44% came for vacation, 15% visited family and friends, 26% were traveling through Montana en route to another destination, 2% came for shopping and 5% for other.

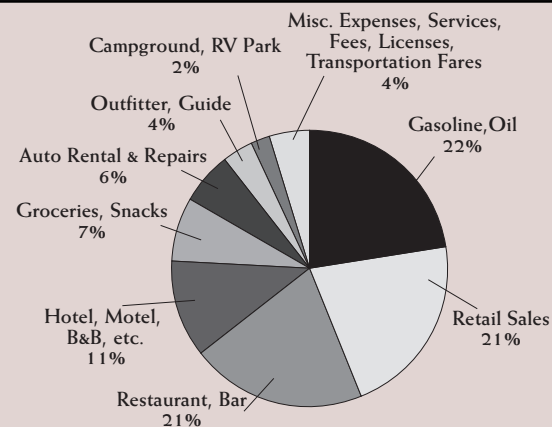
What do people do when they're visiting Montana? The six top activities were shopping, wildlife watching, day hiking, camping, visiting

historical sites and picnicking. The top destinations include Glacier and Yellowstone National Parks, Fort Peck Lake, Little Bighorn Battlefield, Lewis & Clark Interpretive Center and the National Bison Range.

It's our goal to attract high-quality visitors who spend more time—and money—on their vacation experience while they're here. That's not only good for the state's tourism industry, it's good for the state in general.

Each year, Montana's tourism and recreation industry relies on timely, accurate research information to help plan its marketing programs. To provide some of this data, the Tourism Advisory Council (TAC), along with ITRR, solicits research ideas from the industry, policy makers and land managers around the state. These ideas are prioritized and approved

2003 MONTANA NONRESIDENT EXPENDITURES



Total Expenditures: \$1,874,300,000

Note: Numbers may not add up to 100% due to rounding.

by the TAC. In addition, Travel Montana's programs occasionally contract outside research projects to determine specific marketing needs or results. Following is an overview of research projects for Fiscal Year 2005.

TRAVEL OUTLOOK AND ECONOMIC IMPACTS

The purpose of this project is to estimate annual nonresident visitation and the economic impact of visitors to Montana and to project visitation for the year 2005.

COMMUNITY TOURISM ASSESSMENT AND QUALITY OF LIFE MONITORING

Each year, three communities are selected and monitored in order to determine tourism's influence on the quality of life in each community. This year, the project will examine Rocky Boy Reservation, Wheatland County and Helena to measure their potential and desire for tourism development.

MONITORING TOURISM IN MONTANA

The monitoring completed each year consists of two main components: 1) A yearly phone survey (begun in 1991) about resident attitudes toward tourism. When attitudes change, the tourism industry can address the issues; 2) Analysis of secondary data related to accommodations, attractions, visitation, highway traffic, airline traffic, and other data as it relates to Montana tourism.

PILOT TEST: NONRESIDENT AND RESIDENT TRAVEL AND RECREATION SURVEY

There are two purposes for this pilot test: 1) To determine the best method for collecting resident information related to travel patterns and recreation participation. 2) To determine a methodology for conducting highway proportion counts for the nonresident visitor model. Results from the pilot test will be applied to the nonresident/resident survey.

2005 NONRESIDENT AND RESIDENT TRAVEL AND RECREATION SURVEY

Every four to five years ITRR conducts the year-long nonresident travel study to assess visitor characteristic, expenditures, travel patterns and other pertinent travel related information. This study will replicate and add to previous nonresident studies. In addition, residents will be surveyed about their travel and recreation patterns.

STATEWIDE RESIDENT ATTITUDES TOWARD TOURISM

Every four to five years ITRR assesses residents' attitudes toward tourism in the state of Montana. This study looks at tourism's influence on statewide quality of life. Comparisons from previous years are made to analyze any possible trends occurring with resident attitudes.

THE INSTITUTE FOR TOURISM
AND RECREATION RESEARCH

(ITRR) RECEIVES BED TAX

FUNDING TO CONDUCT

TOURISM RESEARCH FOR THE

STATE OF MONTANA. IN PART,

THIS RESEARCH HELPS THE

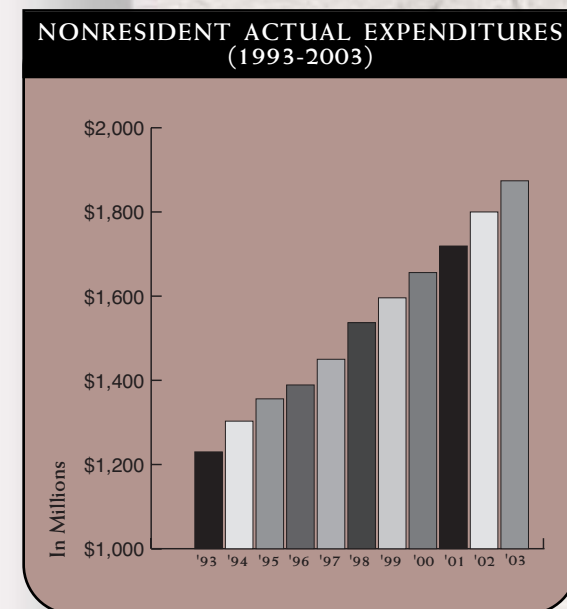
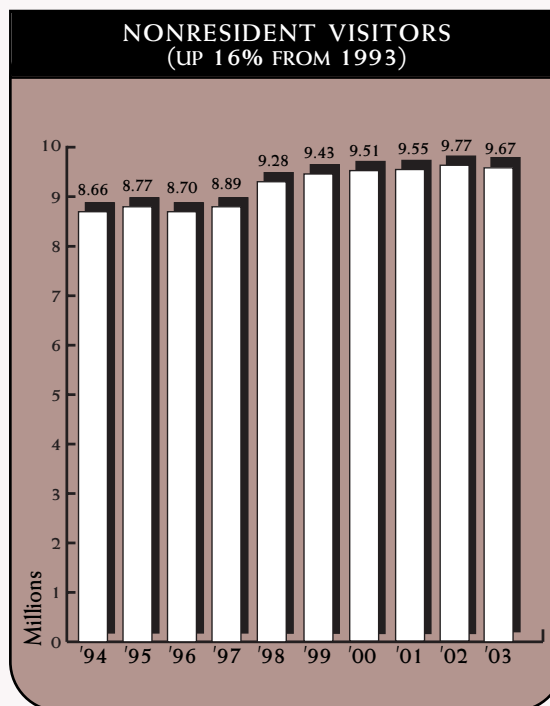
MONTANA TOURISM INDUSTRY

MAKE BETTER INFORMED

MARKETING DECISIONS.

VISIT THEIR WEBSITE:

WWW.ITRR.UMT.EDU



MONTANA HAS MYSTIQUE. MONTANA HAS APPEAL. MONTANA HAS CACHET. AND BECAUSE OF THESE QUALITIES, ALONG WITH OUR MOUNTAINS, OUR PEOPLE, AND OUR BIG SKY, MONTANA IS, IN ALL LIKELIHOOD, ON MANY A VACATIONER'S SHORT-LIST. IT IS THE GOAL OF TRAVEL MONTANA'S CONSUMER MARKETING PROGRAM TO CONVERT THESE "DREAMERS" TO VISITORS. AND AS OUR RESEARCH HAS FOUND, ONCE A VISITOR EXPERIENCES MONTANA, THEY ONLY BECOME MORE ENTICED TO DISCOVER ALL HER VARYING LAYERS WITH SUBSEQUENT VISITS.

THE LURE

MARKETING THE MONTANA MYSTIQUE

There are a variety of travelers out there. Travel Montana creates a marketing mix which strives to provide specific messages aimed at varied interests. For instance, while Montana continues to market itself to core markets such as active mature travelers and outdoor enthusiasts, the state also strives to diversify its audiences based on interests. For example, leading up to the Lewis & Clark Bicentennial in Montana, we have frequently targeted the western history and culture market by promoting Montana's place in this historic expedition.

But while the messages are tailored, the overall image is reinforced in all the messaging. We strive to be consistent and carry creative themes within seasons from campaign to campaign.

Nonresidents are not the only travelers with a quest to reveal Montana's treasures. Montana residents also realize with such a vast state, we all have a lot to discover within our own boundaries.

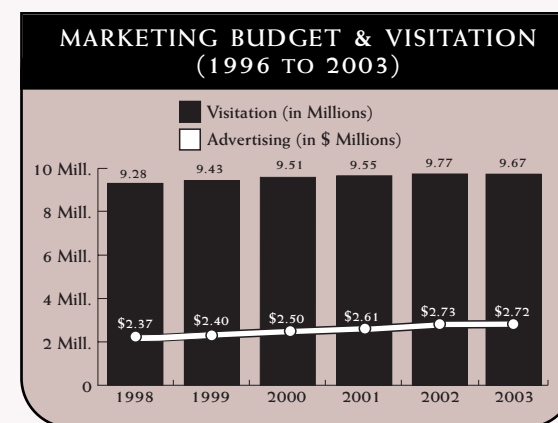
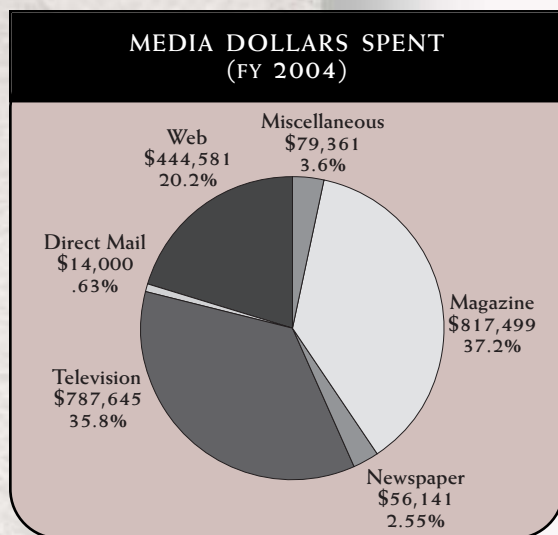
Travel Montana has initiated several in-state campaigns to spur more resident travel within Montana. Our summer "In Your Own Backyard" television spots promote a variety of our beautiful and unique locations throughout the state. A very successful in-state campaign was launched last winter bringing together public and private businesses working cooperatively in educating Montanans about the wonders of our state in the winter in a fun, engaging manner.

Travel Montana's 2005 warm season magazine efforts will continue to incorporate the eye-catching creative developed in 2003 and 2004. In addition, continued opportunities for creating advertising

partnerships with our fellow tourism partners such as our numerous regions and CVBs, has resulted in cooperative Lewis and Clark magazine advertising and an ongoing newspaper packages campaign in the Canadian market.

While Travel Montana continues to strive to build even more cooperative opportunities within the state, we are also continuing our cooperative marketing efforts with our neighboring states in an effort to stretch marketing dollars and increase reach with meaningful partners. These partnerships include a four-state Lewis and Clark marketing initiative with the states of Idaho, Oregon and Washington; a highly successful national parks-themed campaign with Wyoming and South Dakota; and our perennial tri-state snowmobile cooperative with Idaho and Wyoming.

Montana is a remarkable product with remarkable people. We recognize it is a matter of reaching the right people with the right message and we continually strive to achieve this balance in our consumer marketing.



All the advertising in the world means nothing without followup. And some of Travel Montana's most important followup mechanisms are the publications it produces. These publications are the materials people receive when they request information from the state; as such, they must contain accurate facts and they must be easy to use, of course. But more than that, the publications must act as "sales tools" for the state, helping to convince people that Montana should be their next vacation destination.

In a state as diverse as Montana, the list of publications should be diverse, as well. Currently, Travel Montana produces a Winter Guide, a Vacation Guide, a Travel Planner and Calendars of Events each year. In addition, the publications program oversees production of numerous specialty guides directed at specific interest areas, including a guide explaining Montana's Indian reservations, a guide tracing Lewis and Clark's journey through the state and a poster/brochure designed especially for kids.

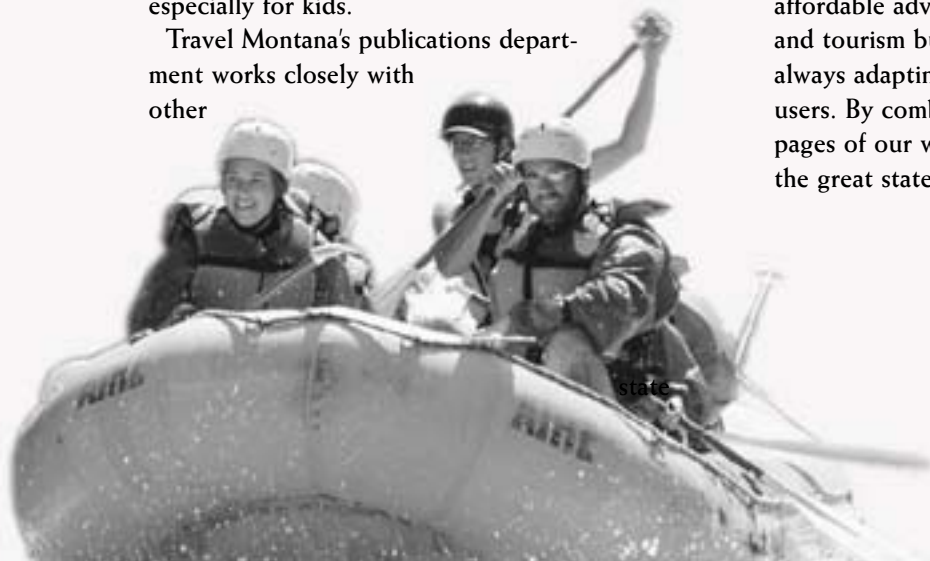
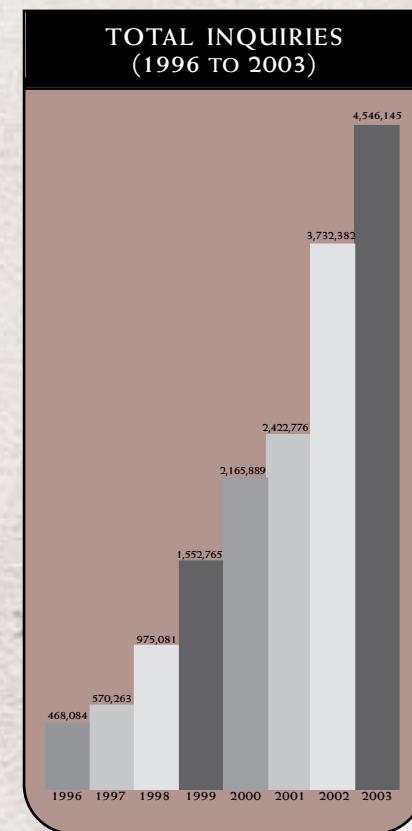
Travel Montana's publications department works closely with other

and federal agencies (such as Montana Fish, Wildlife & Parks, the Bureau of Land Management and the U.S.D.A. Forest Service) to create and update content for all of its guides and materials. Chambers of commerce, regional tourism organizations and Convention & Visitors Bureaus also provide valuable input and assistance in the publications process.

Currently, Montana produces and distributes more than 1.5 million pieces of travel literature each year. Approximately 2,400 businesses receive free listings in the publications, and more than 425 businesses take advantage of advertising opportunities. These publications are distributed in direct response to advertising inquiries, as well as to leads generated by trade/travel shows and international offices. Guides are also distributed at key points throughout the state, including Visitor Information Centers, chambers of commerce, airports and so on.

The publications program is dedicated to providing affordable advertising vehicles for Montana's travel and tourism businesses. To do this, the guides are always adapting and changing to fit the needs of users. By combining the pages of our guides with the pages of our web site, visitmt.com, visitors can see all the great state of Montana has to offer.

ADVERTISING IS THE INITIAL LURE;
IT ENTICES POTENTIAL VISITORS,
CONVINCING THEM TO CALL,
WRITE OR GO ONLINE TO FIND
OUT MORE ABOUT MONTANA.
IT'S UP TO TRAVEL MONTANA'S
PUBLICATIONS AND FULFILLMENT
MATERIALS TO HELP TURN THAT
INTEREST INTO AN ACTUAL VISIT.



ONLINE GROWTH CONTINUES

AT A PHENOMENAL RATE.

IN THE YEAR 2004, WE EXPECT

MORE THAN 5 MILLION VISITORS

TO OUR PRIMARY WEB SITES.

VISITMT.COM IS AVERAGING MORE

THAN 8,000 USER SESSIONS A DAY,

A 21% INCREASE OVER LAST YEAR.

THE TECHNOLOGY

INSTANT INFORMATION FOR VISITORS

Today, the Internet remains a perfect vehicle for travel planning and Montana remains a leading state in web technology. Our online travel web sites let consumers have power over their travel planning. To this end Travel Montana has designed and maintains a dynamic web presence that includes up-to-date information on nearly 10,000 tourism-related properties and events and 28 dynamic web sites.

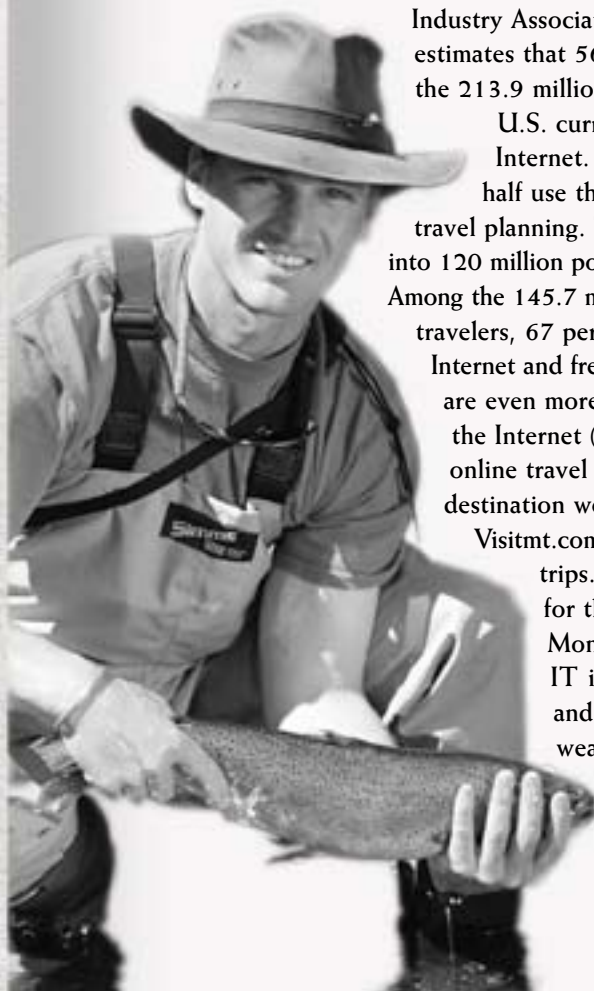
As of July 2004, the Travel Industry Association (TIA) estimates that 56 percent of the 213.9 million adults in the U.S. currently use the Internet. More than half use the Internet for travel planning. This translates into 120 million potential visitors. Among the 145.7 million past-year travelers, 67 percent use the Internet and frequent travelers are even more likely to use the Internet (74%). Half of online travel planners use destination web sites, like

Visitmt.com, to plan their trips. We are ready for them at Travel Montana with an IT infrastructure and ever growing wealth of content

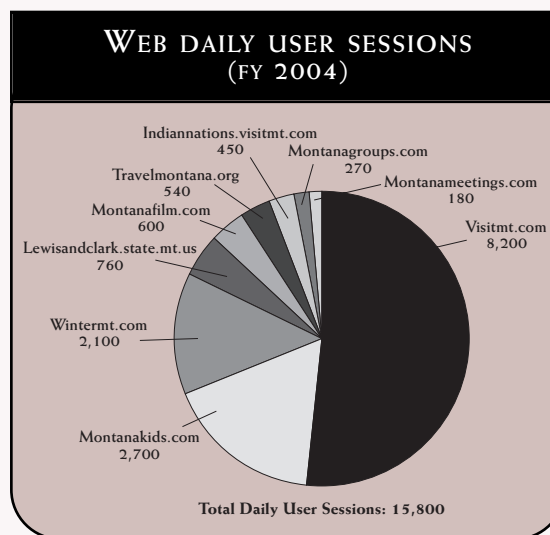
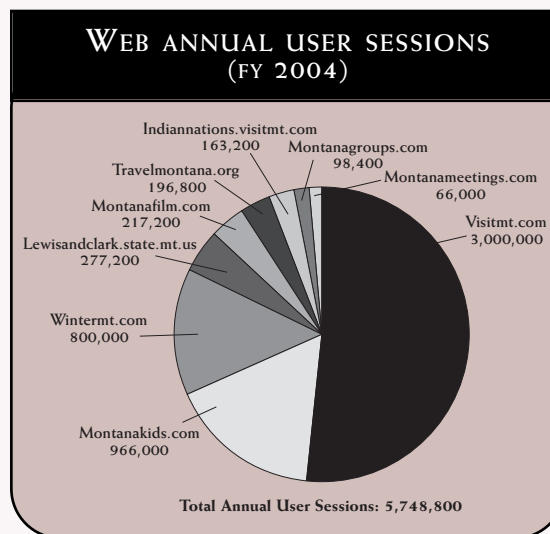
and functionality. Based on our current web statistics and previous web site conversion studies Montana continues to get an excellent return on its electronic marketing dollar. In 2004 we had nearly three million consumers visit our primary consumer web site Visitmt.com alone.

Travel Montana continues to offer new features and technical innovation on our web sites. The winter site layout has been updated, slope conditions have been integrated into area pages and a new area locator map designed. Travel Montana's Intranet has been completely redesigned and updated. The site now reflects the look and feel of other State of Montana agency sites. New content has been added to the Kids site; look for a major face lift and redesign in 2005. Our new "Photographer Showcase" features work from Montana's most accomplished photographers. Also in cooperation with the Department of Agriculture, we have a new section of recipes from the "Montana Culinary Excellence Awards." Look for a new partnership with Montana Magazine to offer new content on Visitmt.com in the coming year.

In 2004 we completed our third year of testing our satellite, countertop, web-based computer systems at Travel Montana-supported Visitor Information Centers (VICs) in the eight supported gateway communities. The program has been very successful: travelers entering the state from any direction have high-speed Internet access at their fingertips to help plan their Montana adventure. Look for a new visitor information site in Lolo in 2005.



Travel Montana and its vendors have built one of the most advanced inquiry and fulfillment systems in the tourism industry. Basic fulfillment methods, in use by most travel entities, simply capture the names and addresses of people who call, then send a packet of information. Montana's call center, on the other hand, is able to take the process considerably further. When a potential visitor dials the 1-800-VISIT-MT phone number, he or she is connected with a travel counselor in the call center. The travel counselor automatically creates a new database record for the call as it comes in, notes the source of the call (print ad, TV ad, article, etc.) for tracking purposes and asks the caller about interest areas. As the caller notes particular interests (golfing, skiing, mountain biking) or requests information on a specific area (Glacier National Park, Billings, Fort Peck Lake), the travel counselor is able to pull information from the database instantly and share it with the caller. This can include everything from general descriptions to detailed driving directions. After capturing pertinent information about the caller, the travel counselor is able to print out a customized letter to the prospect and assemble a packet of information to be sent. Additionally, the call becomes part of the inquiry database, complete with key geographic, demographic and interest information. That information can then be used for additional database marketing efforts in the future. In the past year alone, the call center added more than 273,000 names to its inquiry database.



CERTAINLY, THE INTERNET IS AN IMPORTANT COMPONENT OF MONTANA'S MARKETING EFFORTS. BUT THE INTERNET IS JUST ONE TOOL; THE MORE TRADITIONAL TOOLS SUCH AS TELEPHONE AND MAIL AND VISITOR INFORMATION CENTERS CONTINUE TO BRING IN HUNDREDS OF THOUSANDS OF INQUIRIES EACH YEAR AND REMAIN VITAL TO SUCCESS.

NONRESIDENT VISITORS TO MONTANA AREN'T JUST FAMILIES VACATIONING FROM NEIGHBORING STATES. THEY CAN ALSO BE FAMILIES AND GROUPS FROM ACROSS THE WORLD. THANKS TO THE POPULARITY OF THE "OLD WEST" ABROAD, MONTANA IS CONSISTENTLY PULLING VISITORS FROM KEY INTERNATIONAL MARKETS SUCH AS EUROPE AND ASIA. THE "GLOBAL MARKET" YOU KEEP HEARING ABOUT IN NEWS REPORTS ISN'T JUST DEVELOPING; FOR MONTANA TOURISM, IT'S ALREADY HERE.

THE NICHES

INTERNATIONAL

The overseas marketing department at Travel Montana makes sure Montana is at center stage on the global stage. Aggressive marketing targets the international travel trade, emphasizing the United Kingdom, Germany, France, Belgium, the Netherlands, Italy, Japan and Taiwan. Travel Montana works with key tour operators, wholesalers, travel agencies and media to establish new travel itineraries for groups and FITs (Foreign Independent Travelers), while at the same time helping Montana businesses market themselves overseas.

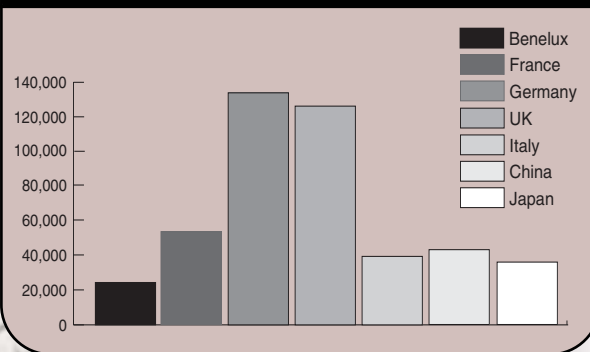
In Western European markets, Travel Montana works closely with Rocky Mountain International (RMI) to reach its key markets, which include the United Kingdom, Germany, France, Italy, Belgium, the Netherlands and in October 2004, Travel Montana investigated new markets by participating in an RMI Trade Mission to Scandinavia (Copenhagen, Malmo, Osby and Stockholm) to meet with tour operators and media. In the Pacific Rim, state of Montana trade office representatives in Kumamoto, Japan and Taipei, Taiwan market Montana's travel-related products and services in Asia.

Overseas marketing efforts are showing success on a number of fronts. Travel Montana regularly organizes and hosts familiarization (FAM) tours for international media and trade, with participants from the UK, Germany, the Netherlands, Belgium, France, Taiwan, Japan and Italy. Montana also attends key trade shows to promote the state to overseas tour operators. Currently, trade shows include BIT in Milan, Italy; ITB in Berlin, Germany; World Travel Market in London; the TIA Pow Wow in New York; Go West Summit in Phoenix, Arizona;

and the Visit USA Showcase in Italy. These trade shows result in numerous leads for Montana, which are passed on to over 220 Montana suppliers, CVBs and travel regions. Another successful event that brings together regional suppliers with European buyers is the Round-Up, which was held in May 2004, in Cody, Wyoming. The 2005 Round-Up will take place on April 14-16, in Boise, Idaho.

Goals for the coming year include additional international FAM tours, which result in favorable media coverage and increased brochure exposure in overseas markets. The program is also increasing awareness of its international efforts among Montana tourism-related businesses; this year, the office presented a seminar at the Governor's Conference on Tourism and Recreation and is planning an additional seminar at the next conference.

INTERNATIONAL OVERNIGHTS OFFERED (2002-2003)



GROUPS AND MEETINGS

Montana's group travel program does exactly what the name implies: markets the state's attractions as destinations for group tour operators throughout the United States and Canada. The program suggests activities ranging from sightseeing to river rafting to skiing, and generates travel ideas for all seasons.

To do this, the program conducts FAM tours for group tour operators, giving them a chance to see Montana's attractions first-hand. Direct mail offers current tour planning material to a targeted list of operators, helping establish and maintain rapport. Trade events, as well as membership in key industry associations such as the National Tour Association (NTA) and the American Bus Association (ABA), help Montana stay in regular contact with group travel planners.

This year, the group tour program attended NTA and ABA group tour conventions to promote Montana as a destination; at the NTA convention, representatives organized and presented a "Montana

Night" dinner attended by 40 tour operators. Tour operators can access the Group Tour Planning Guide online at montanagroups.com for more information on products and activities.

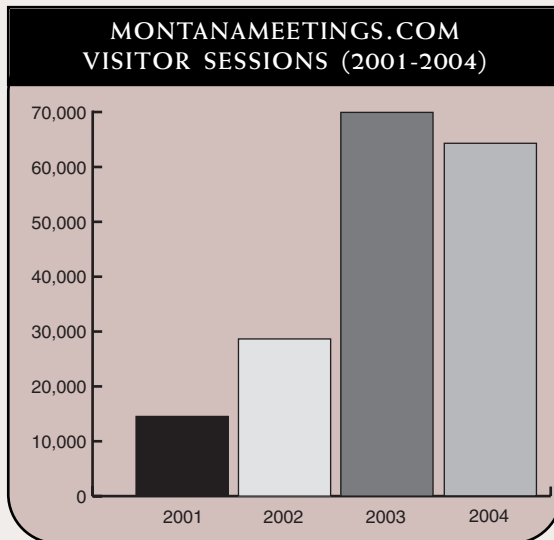
Montana's meeting and convention program works closely with the state's CVBs and convention properties to market the state as a destination for meetings and groups of any size.

The program's Internet advertising campaign uses search engines and targeted e-mails to promote the state's meeting/convention facilities and capabilities. The web site, montanameetings.com, offers information from Montana's printed Meeting Planner's Guide. Plus, trade shows such as Affordable Meetings and the Incentive Travel & Meeting Executives bring Montana face-to-face with planners.

This year, the office presented a seminar at the Governor's Conference on Tourism and Recreation and is planning an additional seminar at the next conference.

In the coming year, Montana will continue to position itself to meet and convention planners, share leads and prospects with CVBs and properties, attend trade shows and conduct group FAM

MONTANA CERTAINLY APPEALS TO FAMILIES IN SEARCH OF VACATION ADVENTURE. BUT WHAT ABOUT GROUPS THAT AREN'T FAMILIES—CONVENTIONS OF 500, FOR INSTANCE? MONTANA IS THE PERFECT DESTINATION FOR THEM, TOO. THE STATE SUCCESSFULLY MARKETS ITSELF TO GROUP TOUR OPERATORS, AS WELL AS MEETING AND CONVENTION PLANNERS. WITH AN ABUNDANCE OF FACILITIES, ATTRACTIONS AND NATURAL BEAUTY, MONTANA IS HOSTING GROUPS OF EVERY SIZE FROM EVERYWHERE.



TOURISM HAS ESTABLISHED ITSELF AS AN ACTIVE PLAYER IN MONTANA'S ECONOMY. FOR THE INDUSTRY TO CONTINUE PROVIDING ECONOMIC AND SOCIAL BENEFITS FOR MONTANANS, WE NEED TO ENSURE THAT OUR TOURISM FACILITIES, SERVICES AND PRODUCTS OFFER QUALITY EXPERIENCES FOR OUR VISITORS AND ENHANCE MONTANANS' QUALITY OF LIFE. THAT'S THE FOCUS OF MONTANA'S TOURISM DEVELOPMENT AND EDUCATION PROGRAM.

THE FUTURE

THE FUTURE: TOURISM DEVELOPMENT

At its most basic, the program is about networking and cooperation. First and foremost, it's dedicated to helping the state's tourism and recreation partners—private sector businesses, communities, organizations, federal and state agencies, tribal governments and alliances—access and share resources needed to maintain a sustainable tourism economy for the benefit of Montana residents and visitors. The program's efforts include community-based tourism development; tourism infrastructure improvements; visitor information center service support; support of grassroots efforts to develop and expand Montana's cultural and heritage tourism products, events and services; customer service training; strategic planning; state and federal agency tourism and recreation program coordination; and tourism education.

In 2005, the program will continue focusing its efforts on the Strategic Plan objective of creating new Montana "destinations" through packaging and special designations. Specific projects underway include creation of the Montana Dinosaur Trail (a 4 tourism region/10 community/13 facility/state & federal agency partnership), support for the Montana Birding Trail pilot project, implementation of the Montana Scenic-Heritage Byways Program (a Tourism Advisory Council/Montana Department of Transportation and Commission partnership).

Other priority activities include:

- Training and information services for the nine state-supported, gateway community Visitor Information Centers.
- Monitoring stakeholder progress through the Montana Tourism & Recreation Strategic Plan 2003-2007.
- Working with Montana Tribal Tourism Alliance on tourism development efforts for Montana's seven Indian Reservations.
- Statewide tourism education and networking at the annual Governor's Conference on Tourism and Recreation.



An important aspect of the Tourism Development and Education Program involves Montana's communities. The program partners with Montana's cities and towns to help them develop the resources they need to benefit from tourism. The Community Tourism Assessment Program (CTAP), Tourism Infrastructure Investment Program (TIIP), Special Events Grant Program (SEGP), Montana Visitor Information Centers, and Montana Superhost are the main tools used in this effort.

The Community Tourism Assessment Program is a nine-month "self help" process offered to three communities each year. It assists each community in analyzing local resident attitudes about (and interest in) tourism, measuring tourism potential, identifying gaps in visitor services, and suggesting projects or actions that can strengthen the role of tourism in the local economy. Since its creation in 1991, CTAP has assisted 35 Montana communities and invested \$436,000 in tourism "bed tax" funds into local tourism projects. MSU Extension and UM's ITRR are program partners.

The Tourism Infrastructure Investment Program offers "bed tax" investments in community or non-profit organizations' efforts to develop or renovate Montana's tourism attractions. From 1995-2004, TIIP grants provided over \$2 million in tourism "bed tax" funds to 44 projects creating a \$24 million investment in tourism-related facilities in 32 Montana communities.

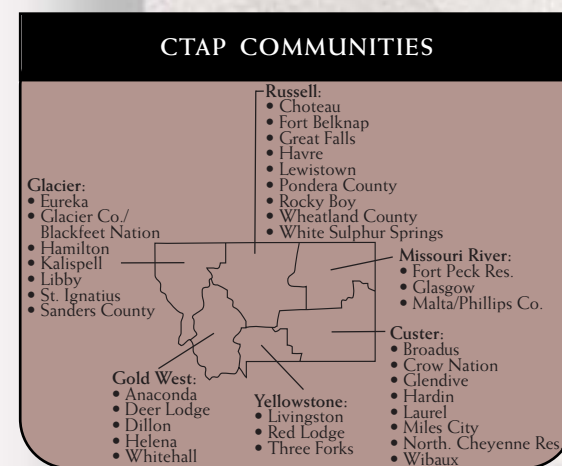
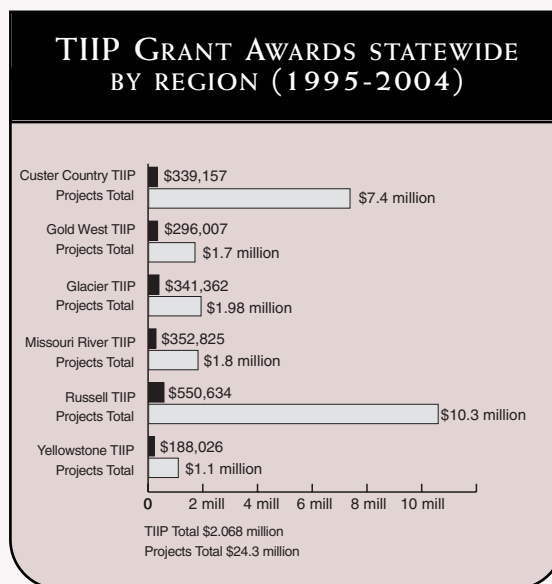
The Special Events Grant Program is another tourism development tool. Since 2002, it has provided \$201,000 to help promote and operate new annual events in 22 Montana communities. The program will offer similar assistance for new annual events in 2005.

Montana Superhost offers affordable customer service training to front-line employees and managers in businesses and organizations across Montana. In 2005,

150 Montana Superhost sessions expect to provide tourism education and customer service training to over 3,000 Montanans.

Montana Superhost is provided through a training contract with Flathead Valley Community College in Kalispell. Financial support comes from Travel Montana, Custer Country, Glacier Country, Gold West Country and Russell Country.

In nine "gateway" communities, a state-local partnership provided over 164,000 visitors Montana travel information through the Montana Visitor Information Centers. Located in Broadus, Culbertson, Dillon, Hardin, Lolo Pass, Shelby, St. Regis, West Yellowstone and Wibaux, the Montana VIC staff answer visitor questions, supply Montana maps, guides and brochures, and respond to visitor needs. The community partners provide the building and staffing; the Montana Promotion Division assists with staff salary, training, computer services, furniture and Montana travel publications.



AN IMPORTANT ASPECT OF THE
TOURISM DEVELOPMENT AND
EDUCATION PROGRAM INVOLVES
MONTANA'S COMMUNITIES. THE
PROGRAM PARTNERS WITH MONTANA'S
CITIES AND TOWNS TO HELP THEM
DEVELOP THE RESOURCES THEY NEED
TO BENEFIT FROM TOURISM. THE
COMMUNITY TOURISM ASSESSMENT
PROGRAM (CTAP), TOURISM
INFRASTRUCTURE INVESTMENT
PROGRAM (TIIP), SPECIAL EVENTS
GRANT PROGRAM (SEGP),
MONTANA VISITOR INFORMATION
CENTERS (VICs) AND MONTANA
SUPERHOST ARE THE MAIN TOOLS
USED IN THIS EFFORT.

THE OLD AXIOM IS TRUE: THE BEST KIND OF MARKETING IS THE FREE KIND. THANKS TO THE EFFORTS OF TRAVEL MONTANA'S PUBLICITY PROGRAM, THE STATE CURRENTLY GENERATES PUBLICITY AND COVERAGE (IN PRINT, BROADCAST AND ELECTRONIC MEDIA OUTLETS) THAT'S THE EQUIVALENT OF OVER \$9 MILLION IN ADVERTISING SPACE.

THE PRESS

S P R E A D I N G T H E W O R D

Publicity is one of the most believable and effective types of exposure a travel destination can get. Coverage in key travel and news media markets can result in stories and programs that generate interest in Montana. Travel Montana's publicity program works with various media outlets to help spread the word about the latest and greatest reasons for visiting.

Through the use of organized publicity campaigns, media press trips, publicity assistance and other services, Montana's tourism industry works with hundreds of media representatives not only from the United States but worldwide.

The publicity department is constantly searching for cooperative media promotions to "pool" the resources of the state, its travel regions and CVBs. One cooperative promotion is our press trips. Each year, the publicity program works with all six tourism regions to help sponsor and assist with press trips. In addition, the department financially and logistically supports key travel writers and broadcast producers with assigned stories about Montana. This type of assistance helps to ensure that travel-related stories and programs about the state are produced. The department also offers free video footage to broadcast producers for use in programs that promote Montana. The footage highlights our state's scenery, outdoor activities and cultural sites.

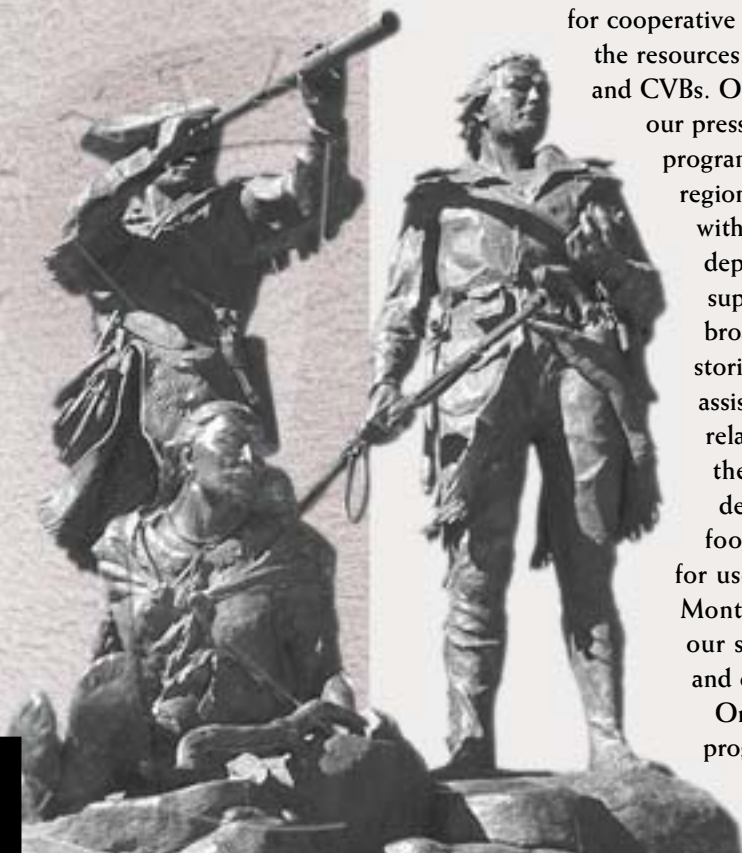
On the print side, the publicity program produces two publications:

Untold Story Leads, a quarterly newsletter sent to more than 1,000 travel writers, editors and producers that highlights a tourism-related attraction/event in each of the six tourism regions, and *Travel Montana Update*, a monthly newsletter featuring information about the state's tourism industry. This piece is distributed to Montana tourism suppliers, legislators and out-of-state entities.

The publicity program's staff photographer is developing a thorough stock photo library that can be accessed by the media, regions, CVBs, chambers and state government—all for the primary purpose of promoting tourism. In addition, the photographer works with individual travel writers and editors to produce images for their stories.

The publicity office continues to maintain an online Lewis and Clark media press kit, and now has available to the media both a CD-ROM press kit and photo CD-ROM. The CD-ROM press kit provides a statewide look at Montana's history, attractions, city/town info and recreational opportunities, all linked back to Travel Montana's website.

Goals for 2005 include enhancing the media database to allow for more cost-effective mailings to a wide range of niche publications, as well as increasing the online selection of Montana travel-related images available to the media. A monthly media coverage report highlighting the best of national print and broadcast coverage is in the works for distribution to regions, CVBs and interested Montana constituents. The publicity office is also working with a public relations firm to develop effective strategies for getting the word out on Montana's snow season offerings.



THE MOVIES

THE BIG SKY ON THE BIG SCREEN

The Montana Film Office works tirelessly to ensure professionals in the film production industry know what Montana has to offer: talented production crews and services, as well as unmatched locations. To do this, the film office takes advantage of a number of tools. First, targeted advertising campaigns appear in trade magazines such as *American Cinematographer*, *Filmmaker*, *SHOOT*, *Creativity*, *AFCI Locations*, *Movie Maker* and *Production Update*. To complement these ads, calendars featuring Montana locations are sent to selected producers, directors, studio executives and location managers. Regular attendance and sponsorship at trade shows and film festivals (such as the Sundance Film Festival, AFI FEST, Boards Summit, IFP LA Film Festival and the AFCI Locations Trade Show) makes sure Montana is visible within the production community and keeps film office personnel up-to-date on the film and television industries.

The film office also produces materials that help film professionals access the resources available to them in

the state. The Montana Production Guide, listing over 250 Montana crew members and more than 650 Montana businesses, is distributed to key decision makers in the industry.

The film office photo files include more than 155,000 images from all areas of the state. These photos are used to respond to production companies inquiring about specific Montana locations. The film office web site, www.montanafilm.com, offers information about filming in the state, a new featured location each month, and a powerful searchable locations database was added to the site in 2003.

The film office's goals for the coming year include enticing larger budget studio films back to Montana. In 2004, the Film Office contracted with Bozeman based research firm ArtsMarket, Inc. to produce a report on the impact of the film industry on Montana's economy and a proposal to increase production in the state through an incentive for production companies filming in the state.

They will continue efforts to increase independent feature production in the state, as well as continuing to target commercial production by advertising and attending commercial production trade shows and summit meetings. An aggressive direct mail campaign of eye-catching four-color post cards is another tool to accomplish these goals. The post cards will also be inserted into key issues of the top trade magazines.



MONTANA IS A MAGICAL LOCATION FOR ALL THE PEOPLE WHO LIVE HERE.

MORE AND MORE, IT'S A MAGICAL LOCATION FOR THE MOTION PICTURE INDUSTRY, AS WELL. SINCE THE

MONTANA FILM OFFICE

OPENED IN 1974,

MONTANA HAS BEEN

THE LOCATION FOR

77 FEATURE FILMS.

PRODUCERS OF BIG

STUDIO FEATURES

LIKE THE HORSE

WHISPERER, AS WELL AS

CUTTING EDGE INDEPENDENT FILMS

LIKE 2004'S DON'T COME

KNOCKING HAVE DEPENDED

ON THE FILM OFFICE. AT THE SAME

TIME, THE STATE HAS HOSTED

HUNDREDS OF TELEVISION

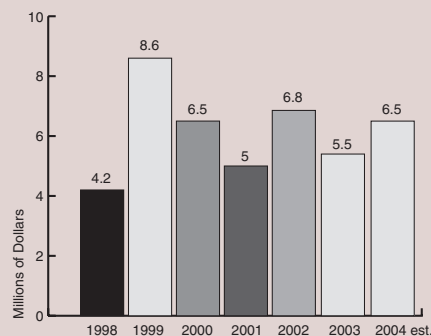
PRODUCTIONS, NATIONAL TV

COMMERCIALS, DOCUMENTARIES,

MUSIC VIDEOS AND STILL

PHOTOGRAPHY SHOOT.

ESTIMATED DIRECT ECONOMIC IMPACT OF FILM INDUSTRY IN MONTANA



Reflects only expenditures directly related to production costs; excludes personal expenditures by actors and crew members

OVER THE PAST SEVERAL YEARS, AS THE REACH AND IMPORTANCE OF THE INTERNET HAS GROWN, SO HAVE THE OFFERINGS OF MONTANA'S TOURISM INDUSTRY. COLLECTED HERE ARE SOME OF THE WEB SITES MAINTAINED BY TRAVEL MONTANA, MONTANA'S TOURISM REGIONS AND CVBS, ALONG WITH SITES OF MANY TOURISM PARTNERS. TO FIND MORE IN-DEPTH INFORMATION ON MONTANA'S TOURISM INDUSTRY, START WITH THESE SITES.

THE WEB

MONTANA'S ONLINE RESOURCES

WEB SITES MAINTAINED BY TRAVEL MONTANA

- visitmt.com - Travel Montana's main web site with visitor information and vacation planning assistance.
- lewisandclark.state.mt.us - Montana's Lewis and Clark site, devoted to the Corps of Discovery's journey across our state.
- wintermt.com - Montana's winter site, covering the pursuit of fun during our snowy season.
- montanakids.com - Specifically designed for kids, including games and other fun.
- montanameetings.com - The Montana meeting planner's site, offering information about meeting or convention services and locations.
- montanafilm.com - The official site of the Montana Film Office, with location photos and information about filming.
- travelmontana.state.mt.us - Travel Montana's intranet site, offering up-to-date information about the state's tourism industry.
- indiannations.visitmt.com - This site is devoted to Montana's Indian Nations.
- montanagroups.com - The Montana Group Tour Planning Guide, offering information on group tour services.

MONTANA TRAVEL REGIONS

- custer.visitmt.com - Custer Country
- glacier.visitmt.com - Glacier Country
- goldwest.visitmt.com - Gold West Country
- missouririver.visitmt.com - Missouri River Country
- russell.visitmt.com - Russell Country
- yellowstone.visitmt.com - Yellowstone Country

MONTANA CVBS

- bigskychamber.com - Big Sky
- billingscvb.visitmt.com - Billings
- bozemancvb.visitmt.com - Bozeman
- butteinfo.org - Butte
- fcvb.org - Flathead Valley
- greatfallscvb.visitmt.com - Great Falls
- helenacvb.visitmt.com - Helena
- missoulacvb.org - Missoula
- westyellowstonecvb.visitmt.com - West Yellowstone
- whitefishchamber.org - Whitefish

TOURISM ADVISORY COUNCIL

Term expires on July 1 of year shown after name.

Ramona Holt, Chair (2005)—Holt Heritage Museum/H Bar R Ranches
 Scott Asche (2005)—Holiday Inn
 Maureen Averill (2007)—Flathead Lake lodge
 Kathy Brown (2007)—Nicholson, Inc.
 Mark Browning (2006)—Custer County Art & Heritage Center
 Kim Champney (2006)—Bank of the Rockies
 Carl Kochman (2007)—KCI
 Sharon Rau (2007)—Sidney Chamber of Commerce
 Jay Robson (2007)—Dollar Rent-A-Car
 Michele Reese (2005)—Beargrass Marketing
 Mike Scholz (2005)—Buck's T-4 Lodge
 Mary Ellen Schnur (2006)—Monte's Guiding and Mountain Outfitting
 Homer Staves (2007)—Staves Consulting
 Carolyn Valacich (2005)—Great Falls Symphony
 George Willett (2005)—Showdown Montana
 Richard J. Young (2006)—Fort Peck Assiniboiné Tribes

MONTANA
www.skimt.com

[illegible]

MONTANA PROMOTION DIVISION MISSION STATEMENT

Our mission is to strengthen Montana's economy through the promotion of the state as a vacation destination and film location. By maximizing the combined talents and abilities of its staff, and with guidance from the Governor's Tourism Advisory Council, Travel Montana strives to promote a quality experience to visitors while encouraging preservation of Montana's environment and quality of life.

